



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

1999-12

The programming and budgeting processes of
the United States Marine Corps : an
investigation into their efficiency

Miller, Carl W.

Monterey, California. Naval Postgraduate School

<http://hdl.handle.net/10945/8861>

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

NPS ARCHIVE
1999.12
MILLER, C.

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY CA 93943-5101

NAVAL POSTGRADUATE SCHOOL Monterey, California



THESIS

**THE PROGRAMMING AND BUDGETING
PROCESSES OF THE UNITED STATES MARINE CORPS:
AN INVESTIGATION INTO THEIR EFFICIENCY**

by

Carl W. Miller, III

December 1999

Thesis Co-Advisors:

Ted Hleba
James M. Fremgen

Approved for public release; distribution is unlimited.

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

| | | | | | |
|---|--|---------------------------------|---|---|----------------------------------|
| 1. AGENCY USE ONLY (Leave blank) | | 2. REPORT DATE December 1999 | | 3. REPORT TYPE AND DATES COVERED Master's Thesis | |
| 4. TITLE AND SUBTITLE : THE PROGRAMMING AND BUDGETING PROCESSES OF THE UNITED STATES MARINE COPRS. AN INVESTIGATION INTO THEIR EFFICIENCY | | | | 5. FUNDING NUMBERS | |
| 6. AUTHOR(S) Miller, III, Carl W | | | | | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000 | | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A | | | | 10. SPONSORING / MONITORING AGENCY REPORT NUMBER | |
| 11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. | | | | | |
| 12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited. | | | | 12b. DISTRIBUTION CODE | |
| 13. ABSTRACT (maximum 200 words) The current Planning, Programming and Budgeting System (PPBS) consists of complex, overlapping phases that require a great deal of time and manpower to complete. More efficient PPBS processes could possibly reduce the time and manpower needed to complete these phases. The purpose of this thesis was to determine if the programming and budgeting processes of the United States Marine Corps could be more efficient. This issue was addressed in three steps. First the programming and budgeting processes were reviewed in detailed. Second, the legal requirements for each process were determined. Finally, each process was analyzed for duplication, value added, and timing of the elements of the process. The research resulted in two recommendations that could possibly increase the efficiency of the Marine Corps Programming Process. One, the Commandant's Initial Programming Guidance should be issued each year to provide the intent of the senior leader of the Marine Corps for program development. Second, the Marine Corps should consider combining the Assistant Commandant of the Marine Corps Committee brief with the brief to the Commandant to save time and effort. The research revealed that the requirement for the President to submit his budget to Congress by the first Monday in February drives the budgeting process. This requirement severely inhibits the ability to change the current process. | | | | | |
| 14. SUBJECT TERMS Planning, Programming, and Budgeting System, PPBS, Program Budgeting, Defense | | | | 15. NUMBER OF PAGES 95 | |
| | | | | 16. PRICE CODE | |
| 17. SECURITY CLASSIFICATION OF REPORT Unclassified | 18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified | | 19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified | | 20. LIMITATION OF ABSTRACT UL |

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. Z39-18

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

**THE PROGRAMMING AND BUDGETING PROCESSES OF THE UNITED
STATES MARINE CORPS: AN INVESTIGATION INTO THEIR EFFICIENCY**

Carl W. Miller, III
Captain, United States Marine Corps
B.B.A., Memphis State University, 1994

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
December 1999

ABSTRACT

The current Planning, Programming and Budgeting System (PPBS) consists of complex, overlapping phases that require a great deal of time and manpower to complete. More efficient PPBS processes could possibly reduce the time and manpower needed to complete these phases. The purpose of this thesis was to determine if the programming and budgeting processes of the United States Marine Corps could be more efficient. This issue was addressed in three steps. First the programming and budgeting processes were reviewed in detailed. Second, the legal requirements for each process were determined. Finally, each process was analyzed for duplication, value added, and timing of the elements of the process. The research resulted in two recommendations that could possibly increase the efficiency of the Marine Corps Programming Process. One, the Commandant's Initial Programming Guidance should be issued each year to provide the intent of the senior leader of the Marine Corps for program development. Second, the Marine Corps should consider combining the Assistant Commandant of the Marine Corps Committee brief with the brief to the Commandant to save time and effort. The research revealed that the requirement for the President to submit his budget to Congress by the first Monday in February drives the budgeting process. This requirement severely inhibits the ability to change the current process.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

| | | |
|-------------|---|-----------|
| I. | INTRODUCTION | 1 |
| A. | PURPOSE | 1 |
| B. | BACKGROUND | 1 |
| C. | METHODOLOGY | 3 |
| D. | SCOPE LIMITATIONS | 4 |
| E. | SUMMARY OF FINDINGS | 4 |
| F. | THESIS OUTLINE | 5 |
| II. | MARINE CORPS PROGRAMMING | 7 |
| A. | INTRODUCTION | 7 |
| B. | PROGRAM GUIDANCE | 9 |
| C. | PROGRAM DEVELOPMENT | 13 |
| D. | OSD REVIEW AND FINAL DECISIONS | 19 |
| E. | PROGRAM REVIEW YEARS | 19 |
| F. | SUMMARY | 20 |
| III. | ANALYSIS OF THE MARINE CORPS PROGRAMMING PROCESS | 23 |
| A. | LEGAL REQUIREMENTS OF THE PROGRAMMING PROCESS | 23 |
| B. | DUPLICATION OF PROGRAM ELEMENTS | 23 |
| C. | THE VALUE ADDED BY EACH PROGRAMMING ELEMENT | 25 |
| D. | TIMING OF THE PROGRAMMING ELEMENTS | 31 |
| E. | SUMMARY | 35 |
| IV. | MARINE CORPS BUDGETING | 37 |
| A. | INTRODUCTION | 37 |
| B. | GUIDANCE | 40 |
| C. | POM-TO-BUDGET TRANSITION | 41 |
| D. | OFFICE OF BUDGET (FMB) REVIEW | 46 |
| E. | OSD/OMB REVIEW | 50 |
| F. | CONGRESSIONAL REVIEW | 53 |
| G. | SUMMARY | 54 |
| V. | ANALYSIS OF THE MARINE CORPS BUDGETING PROCESS | 57 |
| A. | LEGAL REQUIREMENTS OF THE BUDGETING PROCESS | 57 |
| B. | DUPLICATION OF BUDGET PROCESS ELEMENTS | 59 |
| C. | THE VALUE ADDED BY EACH BUDGET ELEMENT | 60 |
| D. | TIMING OF THE BUDGETING ELEMENTS | 66 |
| E. | SUMMARY | 70 |
| VI. | CONCLUSIONS AND RECOMMENDATIONS | 73 |
| A. | CONCLUSIONS | 73 |
| B. | RECOMMENDATIONS | 76 |
| C. | AREAS FOR FUTURE RESEARCH | 77 |
| | LIST OF REFERENCES | 79 |
| | INITIAL DISTRIBUTION LIST | 81 |

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS

| | |
|----------|---|
| ACMC | Assistant Commandant of the Marine Corps |
| AG/SAG | Activity Group/Sub-activity Group |
| BA | Budget Activities |
| BLI | Budget Line Item |
| BSO | Budget Submitting Office |
| C4I | Command, Control, Communications, Computers, and Intelligence |
| CMC | Commandant of the Marine Corps |
| CNO | Chief of Naval Operations |
| CPAM | Chief of Naval Operations Program Analysis Memoranda |
| CPG | Commandant's Planning Guidance |
| DC/S | Deputy Chief of Staff |
| DoD | Department of Defense |
| DoD PRG | Department of Defense Program Review Group |
| DoN | Department of the Navy |
| DPG | Defense Planning Guidance |
| DPSB | Department of the Navy Program Strategy Board |
| DRB | Defense Review Board |
| FMB | Office of Budget (Department of the Navy) |
| FMF | Fleet Marine Force |
| FMR | Financial Management Regulation |
| FYDP | Future-Years Defense Program |
| HQMC | Headquarters Marine Corps |
| IR3B | Integrated Requirements and Resources Review Board |
| IWAR | Integrated Warfare Architecture |
| JCS | Joint Chiefs of Staff |
| MCCDC | Marine Corps Combat Development Command |
| MCMP | Marine Corps Master Plan |
| MPMC | Military Personnel, Marine Corps |
| NAVCOMPT | Navy Comptroller |
| NGRE | National Guard and Reserve Equipment |
| NMS | National Military Strategy |
| OMB | Office of Management and Budget |
| O&MMC | Operation and Maintenance, Marine Corps |
| O&MMCR | Operation and Maintenance, Marine Corps Reserve |
| OPA | Office of Program Appraisal |
| OSD | Office of the Secretary of Defense |
| PAN&MC | Procurement of Ammunition, Navy and Marine Corps |
| PBD | Program Budget Decision |
| PEG | Program Evaluation Group |
| PDM | Program Decision Memorandum |

| | |
|---------|--|
| PMC | Procurement, Marine Corps |
| POM | Program Objective Memorandum |
| PPBS | Planning, Programming, and Budgeting System |
| PR | Program Review |
| P&R | Programs and Resources |
| PresBud | President's Budget |
| PRG | Program Review Group |
| PWG | POM Working Group |
| RDT&E | Research, Development, Testing, and Evaluation |
| RPMC | Reserve Personnel, Marine Corps |
| RS | Resource Sponsor |
| SECDEF | Secretary of Defense |
| SECNAV | Secretary of the Navy |
| TOA | Total Obligation Authority |
| TPOM | Tentative Program Objective Memorandum |
| USD | Under Secretary of Defense |

ACKNOWLEDGEMENT

The author would like to acknowledge the gracious financial support of the Deputy Chief of Staff for Programs and Resources, Headquarters, United States Marine Corps. The financial support made possible travel to conduct the research that formed the basis of this thesis.

Additionally, the author would like to specifically thank Lieutenant Colonel Dan Barber, Lieutenant Colonel Robert Blewis, Major Ed Pratt, and Captain Paul Cucinotta for their personal contributions to this thesis. Your time and patience spent educating me on the PPBS practices of the Marine Corps were greatly appreciated.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. PURPOSE

This thesis will review the Planning, Programming, and Budgeting System (PPBS) of the Department of the Navy (DoN), particularly the programming and budgeting processes of the United States Marine Corps as a Component of the Department of the Navy. The purpose of this thesis is to determine if the programming and budgeting processes for the United States Marine Corps can be more efficient. Specifically, each process will be mapped in detail, the parts of each process that are required by law will be determined, and each process will be analyzed to determine if any steps may be eliminated, combined, or completed at different times in an attempt to increase the efficiency. This research will also provide a basis for further study of the efficiency of the PPBS process within the Department of the Navy.

B. BACKGROUND

The Planning, Programming, and Budgeting System (PPBS) was implemented in 1962 by Robert S. McNamara. The PPBS is the vehicle in which the Services seek to obtain the military capability with which to discharge their statutory responsibilities. It is a decision making process for the allocation of limited resources among many competing requirements. The purpose of the PPBS is to most efficiently fund, operate, and support effective military forces to protect our national interest.

The PPBS focuses on long range planning by assessing the world environment and developing the National Military Strategy. This strategy is then transformed into the Defense Planning Guidance (DPG) by the Secretary of Defense to complete the planning phase. The requirements to meet the strategy as set forth in the DPG are identified and translated into programs that will allow for the implementation of the strategy during the programming phase. Programming identifies the best match between warfighting requirements and the means to fulfill them. During the budgeting phase, a plan (budget) is developed to support and actually execute the approved programs necessary to implement the strategy.

This thesis will focus on the PPBS process of the Department of the Navy (DoN), specifically the Programming and Budgeting processes of the United States Marine Corps as a Component of the Department of the Navy. The Marine Corps and the Navy have a unique relationship within the Department of the Navy for allocation of resources within the overall spectrum of the DoD PPBS process. The organization of two separate services within one Department is the most significant factor shaping the Marine Corps PPBS process.

The tasks assigned to the DoN require continuous and close coordination between the Navy and the Marine Corps in all areas of PPBS. This has driven the Marine Corps to a system facilitating centralized direction and institutionalized goals accomplished, by necessity under severe time constraints, through decentralized execution. The PPBS is always working in both the present, through the budget process, and the future, through planning and programming. This, combined with the biennial budget process contributes

to overlap between and within the phases. This overlap increases the manpower and time necessary to complete the submissions required in the PPBS. A more efficient process would possibly decrease the manpower necessary to complete submission, as well as reduce the stress of the severe time constraints already imposed on the Marine Corps PPBS process.

C. METHODOLOGY

The methodology for this thesis will be completed in three steps: (1) review of the programming and budgeting processes of the United States Marine Corps, (2) determination of the legal requirements of elements of the programming and budgeting processes, and (3) analysis of the programming and budgeting processes for recommendations to improve efficiency.

1. Process Reviews

The programming and budgeting processes will be outlined in detail. This will be accomplished through review of the appropriate orders and directives and personal interviews. Interviews will be conducted with the key players in both the programming and budgeting processes from Headquarters Marine Corps.

2. Legal Requirements

A thorough review of the appropriate orders and directives will be done to determine which elements of the programming and budgeting processes of the United States Marine Corps are required by law.

3. Analysis

The elements of the programming and budgeting processes will be examined first for duplication. Elements that are duplicated will be considered for combination or elimination from the process all together. Each element of the processes will then be examined for its necessity and value added to the process to determine if any may be eliminated. Finally, the timing of the submission of each element will be examined to determine if changing the timing of any element(s) will make the process more efficient.

D. SCOPE LIMITATIONS

The thesis will focus on the Programming and Budgeting processes of the United States Marine Corps. It will include a complete review of each of these processes and recommend changes to increase the efficiency of each process. Recommendations for efficiency will be limited to eliminating elements of the programming or budgeting process, combining elements of each process or changing the timing of the submission of elements of each process.

E. SUMMARY OF FINDINGS

The research resulted in two recommendations to possibly make the Marine Corps Programming Process more efficient. One, the Marine Corps should publish the Commandant's Initial Programming Guidance each year. This document would provide the intent of the senior leader of the Marine Corps for program development. Second, the Marine Corps should consider combining the Assistant Commandant of the Marine Corps (ACMC) brief and the Commandant of the Marine Corps (CMC) brief. This would

reduce time and effort, but would still allow both the Commandant and the Assistant Commandant the opportunity to provide input to the process.

The research revealed that the requirement for the President to submit his budget to Congress by the first Monday of February drives the budgeting process. This requirement severely inhibits the ability to change the current process. The congressional review was determined to be a significant source of inefficiency within the process as well.

F. THESIS OUTLINE

This thesis is organized as follows to enhance the reader's understanding of its content:

II. Marine Corps Programming Process

This chapter reviews the process the Marine Corps uses to translate approved concepts and capability objectives into a definitive program, expressed in terms of optimum resource allocation. It includes discussion of program guidance, program development and program review

III. Analysis of Marine Corps Programming

This chapter discusses the elements of the programming process that are required by law. It also includes analysis of the process for efficiency, to include examination of each element of the process for necessity and the value it adds to the process, duplication of elements, timing of elements, and for the possible combination of elements of the process.

IV. Marine Corps Budget Process

This chapter reviews the process the Marine Corps uses to develop and submit accurate and defensible Budget Estimate Submissions for the Department of the Navy and the Office of the Secretary of Defense.

V. Analysis of the Marine Corps Budget Process

This chapter discusses the elements of the budget process that are required by law. It also includes analysis of the process for efficiency, to include examination of each element of the process for necessity and the value it adds to the process, duplication of elements, timing of elements, and for the possible combination of elements of the process.

VI. Conclusions and Recommendations

This thesis concludes with conclusions and recommendations for improving the efficiency of the Marine Corps Programming Process and the Marine Corps Budget Process. It also recommends area of further study of the PPBS.

II. MARINE CORPS PROGRAMMING

A. INTRODUCTION

The basic purpose of the Programming Process is to translate approved concepts and capability objectives into a definitive program, expressed in terms of optimum resource allocation. The Marine Corps' unique status as one of two services within one Military Department is significant in shaping the resource allocation process. The Marine Corps Program Objective Memorandum (POM), the product of the Marine Corps Programming Process, is actually the Marine Corps submission to the Department of the Navy POM.

The Marine Corps' resource allocation process is closely tied to that of the Navy. Because of the unique relationship of the Marine Corps and Navy, three different types of resources must be considered. "Green Dollars" are resources that the Marine Corps programs unilaterally. These resources constitute the sum of the Marine Corps' Total Obligation Authority (TOA). A detailed standing agreement between the Navy and Marine Corps, which has been approved by the Assistant Secretary of the Navy for Financial Management, determines the amount of the Department of the Navy's total resources that will be devoted to "green dollars." This agreement is known as the "Blue-Green Split." The appropriations that constitute "green dollars" are:

- Procurement, Marine Corps (PMC)
- Procurement of Ammunition, Navy and Marine Corps (PAN&MC)
- Military Personnel, Marine Corps (MPMC)
- Reserve Personnel, Marine Corps (RPMC)
- Operation and Maintenance, Marine Corps (O&MMC)
- Operation and Maintenance, Marine Corps Reserve (O&MMCR)
- National Guard and Reserve Equipment (NGRE)
- Military Construction, Active Duty*
- Family Housing Management Account*
- Military Construction, Reserve*
- RDT&E, Ground Programs*

*These appropriations are actually the Marine Corps' portions of the Navy's Appropriations. They are "Blue Dollars" controlled as "Green."

The next type of resource that must be considered is "Blue-in-Support-of-Green."

These are resources that are programmed jointly by the Navy and the Marine Corps and are Navy funds that directly support the Marine Corps. Programs in this category include aviation and certain amphibious programs.

Another type of resource that must be considered is "Blue Dollars." These are funds programmed unilaterally by the Navy, but having an impact on the Marine Corps. Programs in this category include amphibious shipping and landing craft. The Marine Corps has little control over these programs, but is involved in their programming through staff channels and liaison officers.

The practical result of this unique relationship is that Marine Corps programming decisions are constantly being made in two different, interactive processes. Close coordination is therefore required throughout the process.

A total Marine Corps Program is developed biennially (in even-numbered years) and incorporated into the DoN POM. The “off POM” years (in odd-numbered years) are referred to as Program Review (PR) years. This chapter discusses the process the Marine Corps uses to develop its program during POM years and Program Review years.

B. PROGRAM GUIDANCE

The Marine Corps receives guidance from external sources, the Department of Defense and the Department of the Navy, and also receives internal guidance from the Commandant of the Marine Corps and various organizations within the Marine Corps. This guidance will then be used to develop the Marine Corps Program.

1. External Guidance

a) Defense Planning Guidance (DPG)

The Defense Planning Guidance (DPG) is the final product of the planning phase of PPBS. This document promulgates defense policy, strategy, force planning, resource planning, and fiscal guidance. The fiscal, force, and resource planning guidance reflect the economic constraints and the priorities of the Secretary of Defense. [Ref. 2: p. 5] The DPG is the guidance from the Secretary of Defense to the Departments and Agencies of the Department of Defense for force planning and programming and for the development of Program Objective Memoranda. [Ref. 18:p. 1-5]

b) Department of the Navy Programming Guidance

The development of the DoN programming guidance begins with the Integrated Warfare Architecture (IWAR). The architecture is comprised of five warfare

areas: Sea Dominance, Power Projection, Deterrence, Air Dominance, and Information Superiority. Each of the warfare IWARs is supported by seven support IWARs: Sustainment, Infrastructure, Manpower and Personnel, Readiness, Training and Education, Technology, and Force Structure. [Ref. 12:p. C-8]

Core working groups from the Navy's N-81 (Assessment) office assess each of the five warfare areas and the seven support areas. Personnel throughout the Navy and Marine Corps organizations augment the core groups. The results of the assessments are published in the Chief of Naval Operations (CNO) Program Analysis Memoranda (CPAMs). The CPAMs are integrated into one program within the Navy's TOA. The program is then forwarded to the Integrated Requirements and Resources Review Board (IR3B) as the Summary CPAM. [Ref. 12:p. C-8]

The participants in the IR3B include the Assistant Secretaries of the Navy and senior (three-star) leadership from the Navy and Marine Corps. The IR3B reviews and resolves the major issues and forwards the Summary CPAM to the Department of the Navy Program Strategy Board (DPSB). [Ref. 12:pp. C-8-9]

The DPSB, whose membership includes the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps, uses the Summary CPAM to develop the Department of the Navy Programming Guidance. [Ref. 12:p. C-9]

2. Internal Guidance

a) Marine Corps Master Plan (MCMP)

The Marine Corps Master Plan, developed by Marine Corps Combat Development Command (MCCDC) using the Commandant's Planning Guidance as a foundation, provides long range concepts, capabilities, and goals considered essential to the accomplishment of the Marine Corps' mission twenty to thirty years into the future. It also contains mid-range direction, two to ten years into the future, for developing programs and budgets. The MCMP publishes the operational requirements in the areas of doctrine, organization, training and education, equipment, and facilities and support. [Ref. 12:p. C-11]

The development of the Marine Corps Program will support, to the maximum extent possible, the goals of the Marine Corps Master Plan. The basic nature of the programming process will be to fit the demands and requirements of both the FMF and the supporting establishments within the available resources to produce the most capability. [Ref. 18:p. 5-9]

b) Marine Corps Programming Guidance

The Deputy Chief of Staff for Programs and Resources (Figure 2-1 displays the organization of HQMC) will analyze the Marine Corps Master Plan (MCMP), the Commandant's Planning Guidance (CPG) and the Defense Planning Guidance (DPG), and publish the intended program objectives of the Marine Corps POM. This assessment will measure the Marine Corps's ability to meet its current mission with

programmed resources and clarify the deficiencies that must be addressed by the program development. [Ref. 18:p. 5-7]

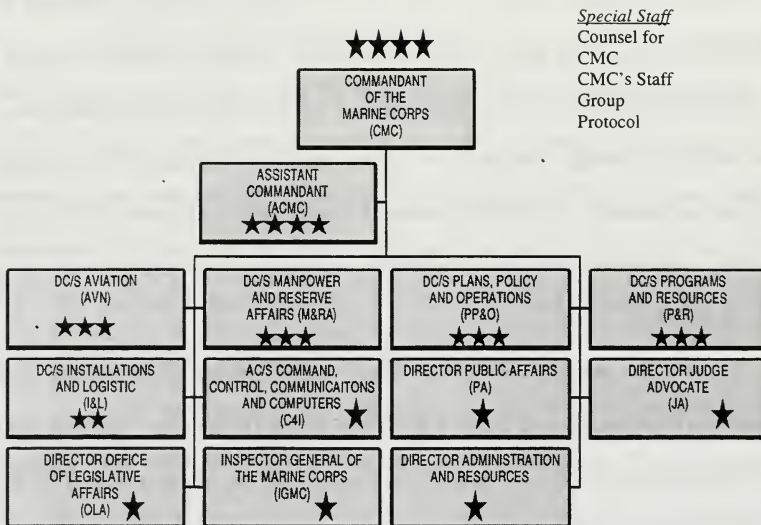


Figure 2- 1 Headquarters Marine Corps Organization Chart

c) Commandant's Initial Programming Guidance

The Deputy Chief of Staff for Programs and Resources will publish the initial program guidance for POM development from the Commandant of the Marine Corps. This guidance provides the Commandant's Intent for Marine Corps program development and his broad guidance for program sponsors and the Program Review Group (PRG) to use during POM development. [Ref. 5]

d) Commandant's Final Programming Guidance

Once the Commandant is briefed on the tentative Marine Corps POM, he then directs any changes to the POM in the form of his final program guidance. This is the final step in the Marine Corps POM development process before the POM is submitted the Secretary of the Navy.

e) POM Serials

The DC/S Programs and Resources publishes memoranda, known as POM Serials to provide amplifying guidance for specific phases of the POM process. Serials are published for such items as Marine Corps Programming Guidance, Initiative Format, POM Development Plan, and specific Fiscal Guidance.

C. PROGRAM DEVELOPMENT

The guidance received will be analyzed and followed to develop the Marine Corps program in the form of the POM. The following section describes the process the Marine Corps uses to develop the Marine Corps portion of the Department of the Navy POM.

1. Core Development

The DC/S P&R develops Core Funding Levels, which are set artificially below the expected fiscal guidance, for each appropriation. These core-funding levels have several purposes. They are used to establish the program baseline. Placing certain programs within a core promotes continuity and program effectiveness by maintaining stability for well defined, executing programs. [Ref. 18:p. 3-13] The core identifies programs that do not require reevaluation during the POM cycle. Programs that are not

placed in the core level of funding within an appropriation must compete as Program Initiatives for the remaining resources available within the Marine Corps during POM development. The above-core portion of the Marine Corps' Total Obligation Authority (TOA) could be considered discretionary spending. [Ref. 12:p. C13]

2. Program Initiatives

Program Initiatives are requests for resources above the pre-established core funding level. They are used as a method to capture all costs associated with a specific program. The initiatives are requests for limited resources for a discrete item or a coordinated package, and must compete with other program initiatives for funding during the POM process. [Ref. 18:p. 5-7] Program Initiatives are submitted from the operational forces, the Marine Corps Warfighting Lab, Marine Corps Systems Command, and other organizations. [Ref. 12:p. C-13] These initiatives are widely staffed throughout Headquarters Marine Corps, Marine Corps Combat Development Command, and Marine Corps Systems Command before collection by the Program Evaluation Groups (PEGs).

3. Program Evaluation Groups (PEGs)

The PEGs are permanent, voting bodies tasked with prioritizing and assigning relative benefit to competitive program initiatives. There are six PEGs, five of which are organized by appropriation categories. The sixth PEG deals with Blue-in-Support-of-Green programs. [Ref. 12:p. C-13] The six PEGs are:

- Manpower
- Operation and Maintenance
- Investment
- Family Housing
- Military Construction
- Blue-in-Support-of-Green

[Ref. 4]

Each PEG includes a group of officers and civilians whose functional expertise and professional judgement allow them to provide input into the process. The PEGs work without fiscal constraints. They consider the full range of initiatives and prioritize them in terms of benefit to the overall mission. Each of the six PEGs forwards a prioritized list of initiatives (specific to its appropriation category) to the POM Working Group. These lists of initiatives serve as the starting point for the POM Working Group to build the Marine Corps' POM. The PEG output helps to assure that program benefits are affirmed, recorded, and tracked during the fiscally constrained programming process.

[Ref. 7]

4. POM Working Group (PWG)

The POM Working Group consolidates, assesses, and prioritizes the recommendations from the PEGs. Other responsibilities of the PWG include:

- Review current program and identify deficiencies
- Develop alternatives
- Assess Affordability
- Identify issues for Program Review Group resolution
- Produce draft Program (POM)

[Ref. 12:p. C-13]

This group draws membership from senior action officers, usually with the rank of Lieutenant Colonel and Colonel. The PWG is responsible for constructing a complete Marine Corps Program (POM) that complies with guidance and priorities, while remaining within fiscal constraints. The complete recommended POM, along with any issues, are presented to the PRG for evaluation and adjustment prior to submission to the Commandant. [Ref. 18:p. 3-7]

5. Program Review Group (PRG)

The members of the Program Review Group (PRG) are from the Executive Board, or Deputy Chief of Staff level, plus selected representation from the CNO and DoN staffs. The members of the PRG are listed below; however, all USMC general officers and senior executive service members are welcome to attend.

- Commanding General, Marine Corps Combat Development Command
- Deputy Chief of Staff for Programs and Resources
- Deputy Chief of Staff for Manpower and Reserve Affairs
- Deputy Chief of Staff for Aviation
- Deputy Chief of Staff for Plans, Policies, and Operations
- Counsel for the Commandant
- Inspector General of the Marine Corps
- Assistant Chief of Staff for Command, Control, Communications, Computers, and Intelligence (C4I)
- Deputy Chief of Staff for Installations and Logistics
- Commanding General, Marine Corps Systems Command
- Legislative Assistant to the Commandant

- Director, Programming Division (N-80)
- Director, Expeditionary Warfare Division (N-85)
- Director, Assessment Division (N-81)
- Director, Public Affairs
- Director, Office of Program Appraisal (OPA)

[Ref. 7]

The responsibilities of the PRG include reviewing the program developed by the POM Working Group before it is briefed to the Commandant, to assess warfighting capabilities and verify compliance with programming guidance. The PRG also resolves all but the major issues in the tentative POM (TPOM) submitted by the PWG and assesses the overall program balance. For issues requiring the Commandant's direction, the PRG is responsible for developing program alternatives and recommendations. The PRG forwards the draft POM and its recommendations to the Commandant of the Marine Corps. The PRG is also the primary forum for coordinating Marine Corps participation in Navy and DoN programming developments.

6. Assistant Commandant of the Marine Corps (ACMC) Committee

The ACMC Committee is comprised of the members of the PRG, and is chaired by the Assistant Commandant of the Marine Corps. This group reviews the T-POM prior to the submission to the Commandant. They resolve all remaining issues that do not require action by the Commandant and make any changes to the T-POM deemed necessary by the ACMC.

7. Commandant of the Marine Corps (CMC)

The Commandant receives the draft POM and the recommendations from the PRG and resolves the remaining issues. He then makes his final programming decisions,

via the Deputy Chief of Staff for Programs and Resources, in the form of the Commandant's Final Program Guidance. Once the Commandant has approved the Tentative Marine Corps POM (TPOM), the Deputy Chief for Programs and Resources, along with the Director, Programming Division (N80) from the Navy Staff, brief the TPOM to the Department of the Navy Program Strategy Board (DPSB).

8. Department of the Navy Program Strategy Board (DPSB)

The Department of the Navy Program Strategy Board is the senior advisory panel chartered to advise the Secretary of the Navy regarding issues relating to the PPBS. The DPSB is composed of the following members:

- Secretary of the Navy (Chairman)
- Chief of Naval Operations
- Commandant of the Marine Corps
- Vice Chief of Naval Operations
- Assistant Commandant of the Marine Corps
- Under Secretary of the Navy
- General Counsel
- Assistant Secretary of the Navy (Research, Development, and Acquisition)
- Assistant Secretary of the Navy (Financial Management)
- Assistant Secretary of the Navy (Installations and Environmental)
- Assistant Secretary of the Navy (Manpower and Reserve Affairs)

Depending upon the subject matter, the board may include other members from the Secretariat, Office of Chief of Naval Operations, and Headquarters, Marine Corps. [Ref. 10:p. 1] Upon completion of the review by the DPSB, and approval of the Secretary of the Navy, the Department of the Navy POM is submitted to the Office of the Secretary of Defense.

D. OSD REVIEW AND FINAL DECISIONS

Once service POMs are submitted, the Joint Chiefs of Staff (JCS) provide a risk assessment based on the capability of the composite force level and support program for the U. S. Armed Services to execute the strategy published in the Defense Guidance. The POMs are then analyzed, using the JCS risk assessment as a guide, for compliance with previous guidance documents. The Department of Defense Program Review Group (DoD PRG) then develops issues that are staffed and then compiled in Issue Books. The Defense Review Board (DRB) meets to discuss the issues, and decisions are made on the issues by the Secretary or Deputy Secretary of Defense. These decisions are formally published in Program Decision Memoranda (PDM), and the service POMs are updated. [Ref. 2:p. 5] The PDM mark the end of the programming phase and the beginning of the budgeting phase.

E. PROGRAM REVIEW YEARS

The process the Marine Corps uses to develop the Marine Corps Program Review Submission to the Department of the Navy basically is the same as the process used to develop the Marine Corps' POM, with a few exceptions. During program review years, issues are used in place of initiatives. Core-funding levels are not needed, as only issues related to changing the program developed during POM development are considered. The issues that are developed must be considered by the PEGs, the PWG and the PRG before submission to the Commandant for his approval, just as initiatives are considered during POM development. Once approved, the Marine Corps Program

Review Submission is incorporated into the DoN Program Review Submission, approved by the DPSB, and forwarded to OSD.

F. SUMMARY

This chapter reviewed the Programming Process used by the United States Marine Corps during POM development and Program Review. The Marine Corps uses this process to translate the approved concepts and capability objectives, expressed in the guidance, into a definitive program, expressed in terms of the optimum allocation of resources. Three major forums (PEGs, PWG, PRG) are used to assess new initiatives, refine recommendations, and produce a complete Marine Corps Program. The complete Marine Corps POM is then presented to the Secretary of the Navy for approval and inclusion in the Department of the Navy POM (Figure 2-2 summarizes the Marine Corps Programming Process). Once the Department of the Navy POM has been approved by the Secretary of Defense, it, along with the other service POMs, will be incorporated into the Futures Years Defense Program (FYDP).

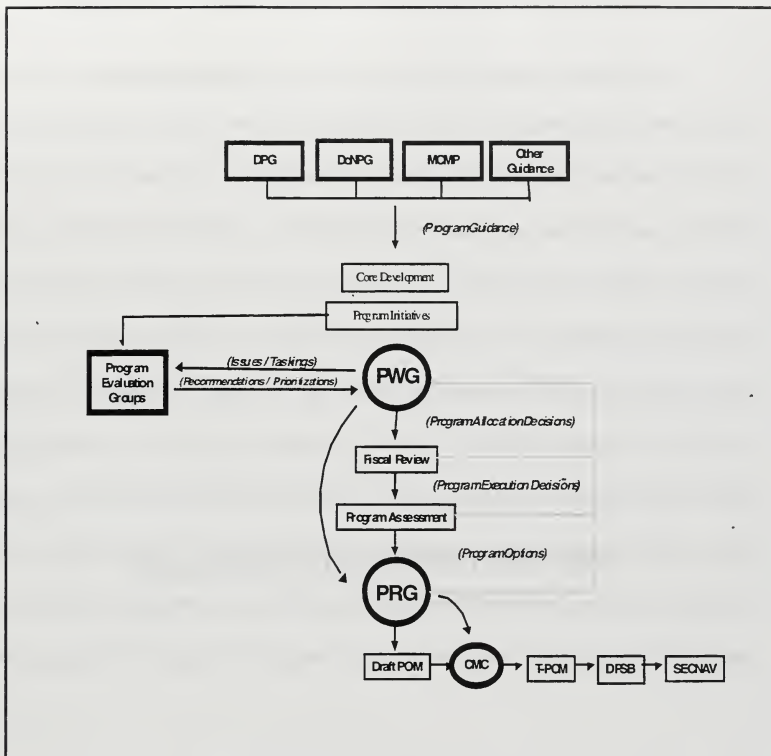


Figure 2- 2 Marine Corps Programming Process

THIS PAGE INTENTIONALLY LEFT BLANK

III. ANALYSIS OF THE MARINE CORPS PROGRAMMING PROCESS

A. LEGAL REQUIREMENTS OF THE PROGRAMMING PROCESS

The only legal requirement that applies to the Programming Process is the requirement of the Secretary of Defense to submit a Future-Years Defense Program (FYDP). The Secretary of Defense is required to submit to Congress each year, about the time the President Submits his budget to Congress, a Future-Years Defense Program (FYDP). The FYDP reflects the estimated expenditures and proposed appropriations included in the President's Budget. The budget data for the FYDP is relevant to the Budgeting Process and will be discussed in Chapter V of this thesis. The FYDP is required to cover the fiscal year with respect to which the budget is submitted, and at least the four succeeding fiscal years. The Program Objective Memoranda submitted by each service, updated and approved in the Program Decision Memoranda by the Secretary of Defense, are required to supply the needed information for the years beyond the budget. [Ref. 13:p. 1]

B. DUPLICATION OF PROGRAM ELEMENTS

1. Program Guidance

The Marine Corps receives guidance from both the Secretary of Defense, through the Defense Planning Guidance (DPG), and the Secretary of the Navy, through the Department of the Navy Programming Guidance. The Marine Corps also develops and provides its own guidance to shape the development of the Marine Corps POM. The

means of providing guidance by multiple entities through various levels of command leads to some duplication. However, each level of guidance contains different levels of information, and each plays an important role in the programming process. The DPG promulgates defense policy, strategy, force planning, resource planning, and fiscal guidance for the entire Department of Defense. The Department of the Navy Programming Guidance provides guidance to both the Navy and Marine Corps on objectives and goals the Department needs to meet during the programming process, ultimately to meet the objectives of the DPG. The Marine Corps then provides more specific guidance through the Marine Corps Master Plan, Marine Corps Programming Guidance, the Commandant's Programming Guidance, and POM Serials. Each provides different and important guidance vital to the success of the Marine Corps Programming Process.

2. Program Development

The Program Development Process is relatively free of duplication. The development of core funding levels, used to establish the program baseline, identifies programs that do not require reevaluation during the POM cycle. This element of the process actually works to alleviate duplication of effort within the development process. By developing core-funding levels, elements identified as within the core are not reevaluated. Therefore the time and manpower that would be required to complete yet another analysis are eliminated.

Program Initiatives, requests for limited resources for a discrete item or a coordinated package, are used to capture all costs associated with a specific program.

Program Initiatives are submitted from a variety of sources and then staffed widely throughout Headquarters Marine Corps, the Marine Corps Combat Development Command, and the Marine Corps Systems Command. This does lead to some duplication of effort. However, each provides a different perspective and is therefore an important part of the process. The initiatives are also staffed to each office simultaneously to reduce the time required for their review.

The three programming fora used by the Marine Corps to develop the Marine Corps POM have very little duplication or overlap of responsibilities. The primary responsibility of each PEG is to prioritize the initiatives specific to its appropriation for consolidation by the PWG. The primary responsibility of the PWG is to develop a complete Tentative POM (T-POM). The PRG resolves any issues that were unable to be resolved by the PWG, unless they require action by the Commandant. In this case the PRG is required to develop alternatives and recommendations for the Commandant. The PRG also reviews the program developed by the PWG to assess warfighting capabilities and verify compliance with programming guidance.

C. THE VALUE ADDED BY EACH PROGRAMMING ELEMENT

1. Program Guidance

a) Defense Planning Guidance

The Defense Planning Guidance provides the fiscal, force, and resource planning guidance to reflect the economic constraints and the priorities of the Secretary of Defense. [Ref. 2:p. 5] The DPG is the guidance from the Secretary of Defense to the

Military Departments and Agencies for planning and programming. This guidance is the link between the National Military Strategy (NMS) and the means to achieve this strategy. This high level guidance is the first step in obtaining a military force that possesses the capabilities to achieve the NMS. Therefore, this is an extremely valuable element of the Programming Process.

b) Department of the Navy Programming Guidance

The Department of the Navy Programming Guidance translates the Defense Planning Guidance from the Secretary of Defense into more specific guidance from the senior leadership within the Department of the Navy. This guidance is created using the IWAR process and includes input from the CNO and the Commandant of the Marine Corps. The DoN Programming Guidance is the mechanism to ensure that the Navy and Marine Corps have a common framework of goals and objectives to aid in development of their POMs, which will be consolidated into one DoN POM.

c) Marine Corps Master Plan

The Marine Corps Master Plan sets the stage for Marine Corps Programming efforts. This plan publishes the operational requirements in the areas of doctrine, organization, training and education, equipment, facilities and support for the Marine Corps two to ten years into the future. The development of the Marine Corps Program will support the goals of the Marine Corps Master Plan. This type of strategic, long-range plan provides the goals and objectives the Marine Corps will need to achieve

to accomplish its mission. This long range focus is an important element in the development of the Marine Corps Program.

d) Marine Corps Programming Guidance

The Marine Corps Programming Guidance publishes the intended program objectives for POM development. This guidance clarifies the deficiencies that must be addressed during program development. This guidance provides specific focus for the development of the Marine Corps POM and is required to assure the necessary goals are achieved during program development, allowing the Marine Corps to accomplish its mission.

e) Commandant's Programming Guidance

The initial programming guidance from the Commandant provides his intent for Marine Corps program development and broad guidance for program sponsors and the PRG. However, the Commandant does not always issue initial programming guidance. If the programmers know in general what the Commandant's important objectives and issues are, they can work to achieve those objectives and address those issues during POM development. Therefore, publishing the Commandant's intent for program development can reduce changes to the Marine Corps POM at the end of process.

The Commandant's final program guidance is the Commandant's last chance to change the Marine Corps T-POM before it is briefed to the Department of the Navy Program Strategy Board (DPSB). This final step in the Program Development

Process ensures the Commandant's goals and objectives have been met in the Marine Corps POM.

f) POM Serials

POM Serials are memoranda published by the DC/S for Programs and Resources that provide amplifying guidance during specific phases of POM development. These serials are an excellent way to provide specific information to everyone involved in the POM process. These memoranda are quick, efficient means to disseminate information to the many people involved in the POM process.

2. Program Development

a) Core Development

The development of core-funding levels allows continuity and program effectiveness by maintaining stability for well-defined, executing programs. This allows certain programs to be identified that do not require reevaluation during POM development. By developing core-funding levels, the number of programs to be evaluated and prioritized by the various programming fora is significantly reduced. Without core-funding levels, every program in the Marine Corps would have to be evaluated during program development. This would be an impossible task to accomplish during the limited time available for development of the Marine Corps POM. Therefore, core development is a necessity for a successful POM process.

b) Program Initiatives

Program Initiatives are used as a method to capture all costs associated with a specific program. These initiatives must compete for limited resources during the POM process. These initiatives allow for the consolidated information for a program to be submitted from various activities within the Marine Corps in a consistent, usable format. The program initiatives allow the PEGs to more easily evaluate and prioritize programs for possible inclusion in the Marine Corps POM by the PWG.

c) Program Evaluation Groups (PEGs)

The primary purposes of the PEGs are to evaluate and prioritize program initiatives within their appropriation category. Their output helps to assure that program benefits are affirmed, recorded, and tracked during the programming process. The use of PEGs allows the Marine Corps to divide and conquer the POM process. Each PEG evaluates and prioritizes initiatives only in the appropriation category it represents. This allows each PEG to focus on a smaller number of initiatives and complete its work in the compressed time schedule of program development.

d) POM Working Group (PWG)

The PWG consolidates, assesses, and prioritizes the recommendations from the PEGs. This group of senior action officers is tasked with constructing a complete Marine Corps Program (POM) that complies with all guidance and priorities and remains within fiscal constraints. They are the first group tasked with working within the fiscal constraints.

e) Program Review Group (PRG)

The PRG, a group of senior level officers, reviews the program developed by the PWG to assess warfighting capabilities and verifies compliance with programming guidance. This group also resolves all remaining issues that do not require action by the Assistant Commandant or the Commandant.

f) Assistant Commandant of the Marine Corps (ACMC) Committee

The ACMC Committee, comprised of the members of the PRG and chaired by the Assistant Commandant, resolves the remaining issues that do not require action by the Commandant. This group reviews the T-POM and makes any changes the Assistant Commandant feels are required prior to submission of the T-POM to the Commandant. The primary benefit of this group is the participation of a four-star level officer and the experience and knowledge he brings to the programming process.

g) Commandant of the Marine Corps (CMC)

The Commandant resolves the remaining major issues and makes the final programming decisions. This step allows the senior leader of the Corps to change and approve the Marine Corps Program before it is submitted to the Secretary of the Navy via the DPSB.

D. TIMING OF THE PROGRAMMING ELEMENTS

The Marine Corps Programming Process actually starts a year before the POM is due to be submitted to the DoN. The process begins in June with the publication of the Marine Corps Master Plan and ends in May with the submission of the T-POM to the Department of the Navy Program Strategy Board (DPSB). Table 3-1 shows a timetable for the typical Marine Corps Programming Process. The timing of each element of the process has been analyzed and the results of that analysis are presented in this section.

| | |
|--|------------------|
| Marine Corps Master Plan | June |
| Marine Corps Programming Guidance | July |
| PRG Intent and Membership | September |
| PWG/PEG Membership | September |
| PWG/PEG Conference | October |
| Core Decisions Published | October |
| Initiatives Submitted | October-November |
| CMC Initial Programming Guidance | February |
| PEGs brief PWG | March |
| Initiative Merge and Prioritization Complete (PWG) | March |
| Defense Planning Guidance | April |
| DoN Programming Guidance | April |
| PRG briefed on T-POM (PWG) | April |
| Fiscal Review | April |
| ACMC Committee briefed on T-POM | April |
| CMC briefed on T-POM | April |
| CMC Final Programming Guidance | April |
| T-POM to DPSB | May |
| SecNav Decisions | May |
| POM to OSD | May |
| POM-to-Budget Transition | June |
| PDM | August |

Table 3- 1 Timetable of Marine Corps Programming

1. Guidance

a) Defense Planning Guidance

The Defense Planning Guidance is usually published in April of each year. For example, during POM-00 the DPG was published in April of 1998. This means that the DPG is published at the end of the Marine Corps Program Development Process. Ideally, the DPG would be the first guidance published at the very beginning of the process. However, the Services are fully engaged in the planning that leads up to the DPG. The DPG should hold no surprises that would require major adjustments to the Marine Corps POM.

b) Department of the Navy Programming Guidance

The Department of the Navy Programming Guidance is usually published in April of each year as well. Marine Corps personnel are involved in the process to develop the DoN Programming Guidance and should not be surprised by any of its content once published. However, if required the PWG and PRG will be briefed on the content of the DoN Programming Guidance. If necessary, the PWG and PRG will be required to make changes to the POM to be in compliance with the DoN guidance.

c) Marine Corps Master Plan

The Marine Corps Master Plan is published in June of the odd years and updated each year. This document, which provides a focus for program development, sets the stage and is the beginning of the Marine Corps Programming Process. This long-

range planning document is published early in the process and is an excellent beginning to the POM process.

d) *Marine Corps Programming Guidance*

The Deputy Chief of Staff for Programs and Resources will usually publish the Marine Corps Programming Guidance during July of the odd years. This document provides program objectives to be achieved during program development. This document needs to be published at the beginning of the process, as is currently the practice, to ensure the programming forums are working to achieve common goals.

2. Program Development

The timing, shown in Table 3-1, of the elements of the program development process of the Marine Corps are accomplished in a logical manner. The process begins with the development of the core-funding levels to establish which programs will not compete for funding during the process. The next step is to develop the initiatives that will compete for funding during the process. These two elements, which are crucial to a successful POM, are allocated a substantial amount of time for accomplishment. These elements set the stage for the remainder of the process and should be allowed ample time for completion.

Next, the PEGs prioritize the initiatives within their appropriation and forward this to the PWG. The PWG then merges and prioritizes the initiatives to build a complete Marine Corps T-POM. This T-POM is forwarded to the PRG for review. The PRG assesses warfighting capabilities and verifies compliance with the guidance. The PRG

then briefs the T-POM to the ACMC Committee for approval and resolution of remaining issues. The T-POM is then presented to the Commandant of the Marine Corps for his final programming decisions before the T-POM is sent to the DPSB.

The timing of each element of the program development process appears to be correct. The process follows a logical flow, with each element of the process adding an important piece to the development of the Marine Corps POM.

E. SUMMARY

The Marine Corps Programming Process is relatively efficient in its current state. There does seem to be some duplication in the programming guidance process, however each element of guidance does provide some information not contained in other guidance. The program development process does seem to be free of duplication.

Each element of the programming process adds some value to the development of the Marine Corps POM. However, it appears that the ACMC Committee may add little value to the process. This committee's membership is comprised of the Program Review Group (PRG), adding the Assistant Commandant of the Marine Corps as the chair. This element of the development process would be a candidate for combination with the PRG brief to the Commandant. Both the Commandant and the ACMC could be briefed at the same time and provide their input to the Marine Corps POM simultaneously. This would save time and effort, as only one brief would have to be prepared, vice two. Also, the Commandant's Initial Program could be an important, value-adding element in the programming process and should be published each year. This guidance provides the

intent of the Commandant for the programming process and could possibly reduce the number of changes to the POM late in the process.

Finally, the timing of most of the elements of the process appears to be both logical and efficient. The importance of establishing a good foundation for program development by developing goals and objectives is accomplished by the publishing of the Marine Corps Master Plan and Marine Corps Programming Guidance. The only inefficiency detected in the timing of the elements was in the issuance of the Defense Planning Guidance and the DoN Programming Guidance. Both of these documents are published at the end of the Marine Corps Programming Process. The result is that the Marine Corps must ensure that their program is in compliance with the guidance at the end of the process, vice being able to incorporate the guidance into the process from the beginning. This can result in changes late in the process that could have been avoided. Based on the information obtained by the author, this could indicate that the Marine Corps Programming Process begins too early. This is an area that could be examined to possibly reduce changes late in the process, and therefore make the entire process more efficient.

IV. MARINE CORPS BUDGETING

A. INTRODUCTION

A budget is a document that expresses the plan for accomplishing the objectives of an organization for a specified period of time in financial terms. The budget is used for planning, performance management, and decision-making, as well as being a statement of priorities. [Ref. 3:p. I-2]

The budget process of the Marine Corps is completed in five phases. This first phase is the transition of the first two years of the Marine Corps POM to the Marine Corps budget submission to the Office of Budget (FMB) in the Secretary of the Navy's Office. The Marine Corps submits biennial budgets. For example, in 1998 POM 00 was submitted (which covered the years 2000-2005). That same year budget estimates were submitted for the years 2000 and 2001. During the Program Review years, budget estimates are submitted only for the review year. For example, in 1999 Program Review 01 (PR 01) was conducted. Therefore, budget estimates were submitted for the year 2001 and adjustments were made to the outyears as well. So, even though the label biennial budget is applied, budgets are actually submitted annually.

Unlike the programming process of the Marine Corps, which operates independently of the Navy for green dollar requirements, the budget process is directly linked to that of the Navy. The Marine Corps is a Budget Submitting Office (BSO), sometimes referred to as a claimant, to the Office of Budget. Budget Submitting Offices are responsible for preparation, compilation, and submission of budget estimates and

supporting material to FMB for the DoN, OSD/OMB, and the President's Budget Submissions. Table 4-1 lists the BSOs within the Department of the Navy and Figure 4-1 shows the relationship of the BSO to each phase of the budget process.

| |
|---|
| Director, Field Support Activity |
| Assistant for Administration, Office of the Under Secretary of the Navy (AAUSN) |
| Chief of Naval Research (OCNR) |
| Director, Office of Naval Intelligence (ONI) |
| Chief, Bureau of Medicine and Surgery (BUMED) |
| Commander, Naval Air Systems Command (NAVAIR) |
| Bureau of Naval Personnel (BUPERS) |
| Naval Supply Systems Command (NAVSUP) |
| Commander, Naval Sea Systems Command (NAVSEA) |
| Commander, Naval Facilities Engineering Command (NAVFAC) |
| Headquarters, United States Marine Corps (HQMC) |
| Director, Strategic Systems Programs (SSP) |
| Commander, Space and Naval Warfare Systems Command (SPAWAR) |
| Director, Naval Systems Management Activity (NSMA) |
| Commander-in-Chief U. S. Atlantic Fleet (CINCLANTFLT) |
| Commander-in-Chief U. S. Naval Forces, Europe (CINCUSNAVEUR) |
| Chief of Naval Education and Training (CNET) |
| Commander, Naval Computer and Telecommunications Command (COMNAVCOMTELCOM) |
| Commander, Naval Meteorology and Oceanography Command (COMNAVMETOCCOM) |
| Naval Security Group Command Headquarters (NAVSECGRU) |
| Commander-in-Chief U.S. Pacific Fleet (CINCPACFLT) |
| Commander, Naval Reserve Force (COMNAVRESFOR) |
| Naval Special Warfare Command (NAVSPECWARCOM) |

Table 4- 1 DoN Budget Submitting Offices (BSOs)/Claimants

The second phase in the budget process is the FMB review. The Department of the Navy (DoN) conducts an internal review of all budget estimates submitted by the Budget Submitting Offices (BSOs). This review allows the Secretary of the Navy to make resource allocation decisions within the Department prior to the submission of the budget estimates to the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB).

The submission of the budget estimates to the OSD and OMB and the OSD/OMB joint review is the third phase in the process. These submissions allow the Secretary of Defense to make resource allocation decisions within DoD in preparation of the President's Budget Submission to the Congress. The final product of the OSD/OMB review is the President's Budget (PresBud) Submission to the Congress.

The fourth phase of the budget process is congressional review and action. During this phase, the legislators make decision concerning the allocation of resources. They may adjust the President's Budget as they see fit. To complete this phase of the process, the Congress will approve the appropriations bills and the President will sign them into law. This provides the authority for the fifth and final phase of the budget process, budget execution.

Budget execution is the expenditure of funds to execute the plans and programs of the military departments and agencies. It is the application of the appropriated resources to recruit, train, retain, equip, and to house Marines. [Ref. 18:p. 2-2]

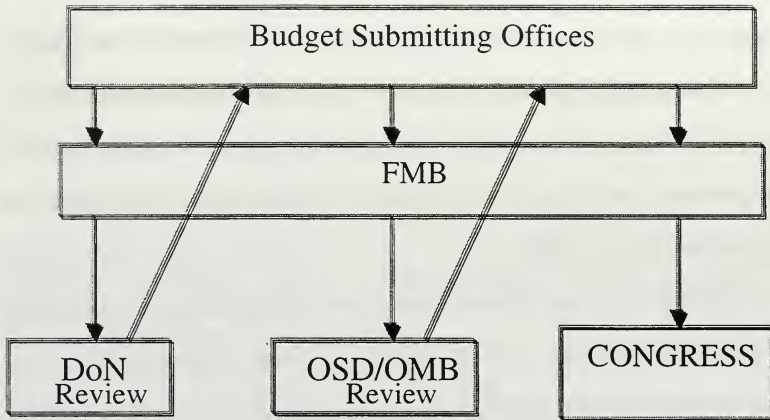


Figure 4- 1 BSOs in the Budget Process

B. GUIDANCE

1. Department of the Navy Budget Guidance Manual

The Department of the Navy Budget Guidance Manual is the main source of information with respect to budget formulation and presentation of the Department of the Navy Budget. The manual provides detailed guidance to Budget Submitting Offices for the preparation and submission of budget estimates. The manual also contains general information about the DoD PPBS process and budgeting within the DoN. The information is provided so that those involved in the budget process can better understand how it works, and therefore better perform their functions. [Ref. 3:p. 1]

2. Department of the Navy Program Guidance Memoranda

The Office of Budget in the Secretary of the Navy's office publishes budget guidance memoranda at various times during the budget process. These memoranda are intended to provide supplementary guidance for specific events within the phases of the budget process.

3. Department of Defense Financial Management Regulation (FMR)

The Department of Defense Financial Management Regulation (FMR), specifically Volume 2, provides general guidance on the formulation and submission of the budget estimates to the Office of the Secretary of Defense. Budget policy memoranda issued during the process each year provide any changes or revisions necessary for that year's budget cycle. [Ref. 1:p. 1-1]

4. Office of Management and Budget Circular A-11

The Office of Management and Budget publishes OMB Circular A-11 annually. This circular provides guidance for the development of the President's Budget. It is a guide for developing the requirements that are specific to the current submission. [Ref. 9:p. xiii]

C. POM-TO-BUDGET TRANSITION

The Deputy Chief of Staff for Programs and Resources has the responsibility to translate the first two years of the Marine Corps POM into the Budget Estimate Submission. The DC/S P&R must transform the rough gross dollar estimates from the POM into precise pricing in the Marine Corps Budget. The Marine Corps Budget is not

captured in one single document, due to its size. It is actually a collection of documents organized by appropriation. Each appropriation budget estimate is developed and submitted individually. The Programs and Resources Division is divided into sections that each have responsibility for different appropriations. These sections are responsible for formulating budget estimate submissions and supporting documentation for their appropriations. The model for the process described in this chapter is based on the Operation and Maintenance, Marine Corps (O&MMC) appropriation. However, the process is very similar for each Marine Corps appropriation.

1. Controls

The first step in formulating the Marine Corps Budget is the issuance of financial controls. Financial controls set the level of funding available to be budgeted by appropriation. These controls are initially determined by the POM process. Then, budget analysts from Programs and Resources review and analyze the POM and recommend any changes to the POM controls. These financial controls represent Total Obligation Authority (TOA) and are issued by appropriation. They are further broken down into budget activities (BA) and then into subcategories of the BAs known as activity groups/sub-activity groups (AG/SAGs) in the O&MMC appropriation, program elements in the RDT&E appropriation, projects in the MILCON appropriation, and budget line items (BLI) in other appropriations. [Ref. 8] The appropriation breakdown is depicted in Figure 4-2, and then a specific example of the breakdown is provided in Tables 4-2 and 4-3 using the O&MMC appropriation.

Analysts use these controls to develop a detailed budget submission, down to the budget line item, for submission to the Office of Budget (FMB) in the Secretary of the Navy's Office. Controls are adjusted throughout each phase of the budget process. They may be adjusted internally during the process to build to the FMB budget submission. And, they are adjusted due to external decisions during the FMB review and the OSD/OMB review based on the decisions made by the analysts, the Secretary of the Navy, the Secretary of Defense, and the President. Congress ultimately will determine the final controls in the form of appropriations bills. At the end of each phase new controls are issued to the BSOs. The BSOs are then responsible for developing the submission for the next phase of the process.

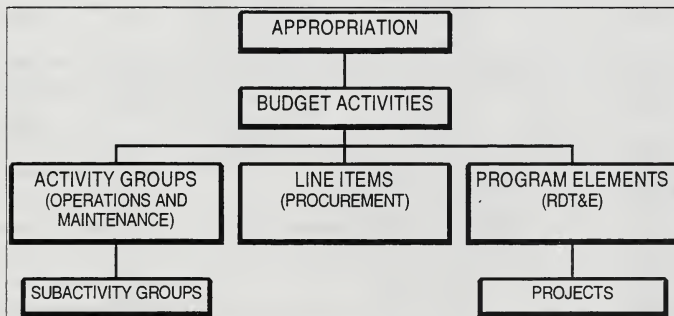


Figure 4- 2 Appropriation Breakdown Structure

| Appropriation | Budget Activity (BA) | BA Title |
|---------------|----------------------|---|
| O&MMC | 00 | Undistributed |
| O&MMC | 01 | Operating Forces |
| O&MMC | 03 | Training and Recruiting |
| O&MMC | 04 | Administration and Servicewide Support |

Table 4- 2 Budget Activities (O&MMC)

| AG/SAG (BLIs) | AG/SAG Title (BLIs) | BA |
|---------------|---------------------------------------|----|
| 00 | Control Undistributed | |
| 0000 | Undistributed OMMC | |
| 000000 | Undistributed OMMC | |
| 010200 | JLSC CivPers (Reimb) | 04 |
| 1A | Expeditionary Force | 01 |
| 1A1A | Operational Forces | 01 |
| 1A2A | Field Logistics | 01 |
| 1A3A | Depot Maintenance | 01 |
| 1A4A | Base Support | 01 |
| 1A8A | Real Property Maintenance | 01 |
| 1A9A | Commissary Operations | 01 |
| 1B | USMC Prepositioning | 01 |
| 1B1B | Maritime Prepositioning | 01 |
| 1B2B | Norway Prepositioning | 01 |
| 2C2H | Industrial Readiness | 02 |
| 3A | Accession Training | 03 |
| 3A1C | Recruit Training | 03 |
| 3A2C | Officer Acquisition | 03 |
| 3A3C | Base Support | 03 |
| 3A5J | Real Property Maintenance | 03 |
| 3B | Basic Skills and Advanced Training | 03 |
| 3B1D | Specialized Skills Trng | 03 |
| 3B2D | Flight Training | 03 |
| 3B3D | Professional Development | 03 |

| | | |
|------|-------------------------------|----|
| 3B4D | Training Support | 03 |
| 3B5D | Base Support | 03 |
| 3B6K | Real Property Maintenance | 03 |
| 3B7D | Commissary Operations | 03 |
| 3C | Recruiting and Other Trng | 03 |
| 3C1F | Recruiting and Advertising | 03 |
| 3C2F | Off-Duty Education | 03 |
| 3C4F | Base Support | 03 |
| 3C7L | Real Property Maintenance | 03 |
| 4A | Servicewide Support | 04 |
| 4A1G | Logistics Support | 04 |
| 4A2G | Special Support | 04 |
| 4A3G | Servicewide Transportation | 04 |
| 4A4G | Administration | 04 |
| 4A5G | Base Support | 04 |
| 4A9X | Commissary Operations | 04 |
| 4A9Z | Real Property Maintenance | 04 |
| 4C0P | Security Programs | |
| 4E | Cancelled Accounts | 04 |
| 4EPD | Problem Disbursements | 04 |

Table 4- 3 Budget Line Items (OMMC)

2. Budget Call

A request for budget data is sent out to the field by budget analysts in the Programs and Resources Department (P&R) of Headquarters Marine Corps (HQMC). This request goes to program sponsors and requires budgets and special exhibits to be

submitted based on the fixed financial controls that have been issued. [Ref. 17:pp. 12-13]

The budget analysts in P&R will review, analyze, adjust, and consolidate the submissions from the program sponsors. Once the submissions have been consolidated, the DC/S Programs and Resources conducts a budget review.

3. Budget Review

The purpose of the budget review is to ensure individual budget estimates are consistent with the same economic principles that underlie the total Marine Corps budget. This review also ensures that the budget reflects the decisions made in the POM and complies with all guidance. [Ref. 17:p. 13]

4. Office of Budget (FMB) Submit

Once the Marine Corps budget review is complete, the budget is submitted to the Office of Budget (FMB), also known as NAVCOMPT. The budget submission to FMB provides the Budget Submitting Office (BSO) the opportunity to state its objectives and priorities for resources in the context of an executable budget. The DoN Staff will review the budget. This is known as the DoN, FMB or NAVCOMPT Budget Review. [Ref. 3:p. 1]

D. OFFICE OF BUDGET (FMB) REVIEW

The submission of budget estimates to FMB and the subsequent review are designed to provide the Secretary of the Navy and senior advisors the opportunity to exercise decision making and control over the financial resources of the DoN. [Ref. 3:p. I-3]

1. Review

The FMB analysts conduct an initial review and analysis of the budget estimates submitted by the BSOs. Analysts may then schedule review sessions with representatives from BSOs and resource sponsors (RS). The purpose of these review sessions is to review program details with the representatives and to obtain additional information about programs for which the justification submitted does not adequately support the budget estimates. Representatives from other interested offices are also invited to attend these review sessions. Analysts from FMB usually provide questions in advance to facilitate the exchange of information and to make the BSOs and RSs aware of areas of concern or potential budget marks. [Ref. 3:p. I-31]

2. Marks and Reclamas

a) Marks

Once the analysts have completed their reviews and analysis of the budget estimates submitted by the BSOs, an Office of Budget (FMB) mark is prepared for each appropriation/fund or major subdivision thereof (if required). A mark is a recommended adjustment to the budget estimate submitted by the BSO and the rationale for the adjustment. The mark is prepared by the responsible analyst and issued by the appropriate division director. The mark is then posted to the FMB website for electronic viewing. [Ref. 3:p. I-31] The Marine Corps, and other BSOs, may reclama, or appeal, the adjustments recommended in the FMB marks. However, if no reclama to the mark is submitted, the adjustments recommended by the mark becomes the final decision. [Ref.

17:p. 13] To reduce the number of marks, and therefore the time and manpower required, adjustments are generally limited to issues of one million dollars or greater. However, budget analysts may recommend adjustments less than one million dollars when critical. [Ref. 3:p. I-34]

b) Reclamas

Procedures have been established to allow BSOs and other DoN organizations the opportunity to respond to the adjustments made by the FMB marks. The response to the FMB mark is known as the reclama. If a reclama is submitted for a specific mark, that mark then becomes a tentative decision until the reclama is resolved. If no reclama is submitted, then the mark becomes the final decision. [Ref. 3:p. I-34]

The reclama procedures are designed to guard against arbitrary or incorrect adjustments. Reclamas are to address arguments not previously considered, not to restate the justification that was submitted with the budget estimate. Reclamas are also to address each issue discussed in the mark, contain strong, logical and factual arguments, and address special implications, such as the impact on the environment or manpower, when possible. Reclamas are written using non-technical language and are supposed to be unemotional. [Ref. 17:p. 13]

If reclamas are submitted, then reclama reviews are scheduled to allow discussion of the issues brought forward in the marks and disputed in the reclamas. The appropriate BSOs are invited to attend these reviews. The cognizant analyst and the branch head hold the first review at the FMB Division level (Figure 4-3 provides an

organization chart for the Office of Budget (FMB)). The majority of the issues are resolved with the cognizant budget analyst and branch head. These two individuals have the authority to resolve any issues addressed by a reclama. If the issue is not resolved at the branch head level, then the reclama is referred to the appropriate division director for resolution. Any reclama not resolved at the division level will be presented to the DoN Budget Officer for resolution during the Major Issues Meeting. [Ref. 3:p. I-35]

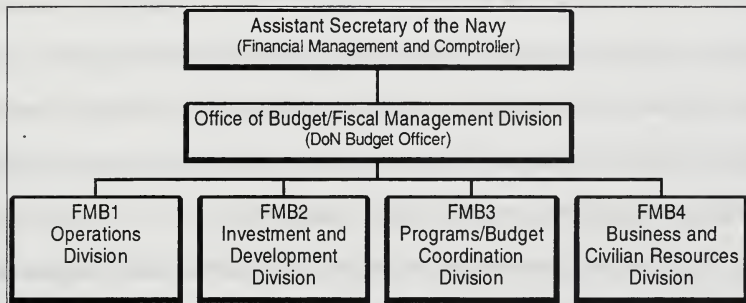


Figure 4- 3 Office of Budget (FMB) Organization

3. Major Issues Meeting

This Major Issues Meeting allows BSOs the opportunity to discuss major issues with the DoN Budget Officer. This forum is the final review for unresolved reclamas and is normally limited to specific time allotments. Therefore the issues to be discussed at this level are carefully considered. [Ref. 17:p. 14] This meeting also provides the primary

forum for identifying issues that are likely to be presented to the Secretary of the Navy for approval. [Ref. 3:pp. I-35-36]

4. OSD/OMB Submission

Once the Major Issues Meeting is complete, the Director of Office of Budget (FMB) presents the proposed budget, along with any unresolved issues, to the Secretary of the Navy for final decisions. The members of the Department of the Navy Program Strategy Board (DPSB) participate in this presentation to assist the SECNAV in the decision-making process. The final step in the DoN Budget Review is the issuance of controls to the BSOs for the development of the budget estimate submission to the Office of the Secretary of Defense and the Office of Management and Budget. The final decisions from the Secretary of the Navy are reflected in these financial controls and no deviations from the controls are allowed. [Ref. 3:pp. I-36-37]

This submission must conform to the goals and objectives, policy, programmatic, and budget guidance of the Secretary of Defense; however, it is a statement of the Department of the Navy priorities and contains the plan to achieve the Department's objectives. This budget submission is the primary opportunity for the Secretary of the Navy to present the budget plan that best fulfills his priorities for the allocation of resources for the DoN. [Ref. 3:p. I-3]

E. OSD/OMB REVIEW

The Office of the Secretary of Defense (OSD) and the Office of Management and Budget conduct a joint budget review. This review transforms the DoN budget, and

other department and agency budgets, into part of the Secretary of Defense's budget and the President's budget. This review occurs after the DoN budget review and before the submission of the President's Budget to Congress. The review consists of the budget estimate submissions from the Military Departments and the Defense Agencies. [Ref. 17:p. 14] The budget estimates submitted to OSD/OMB provide the basis for the Secretary of Defense and the President to make final resource allocation decisions prior to the submission of the President's Budget to Congress. [Ref. 3:p. I-40]

1. Review

Analysts from the Under Secretary of Defense, Comptroller (USD (C)) conduct an initial review of the material submitted in support of the budget estimates. They will then schedule hearings to review program details with representatives from the Military Departments. The OSD or OMB analysts will usually provide a list of questions in advance that are intended to be discussed at the hearings. These questions are passed to FMB, who in turn passes them to the BSOs, as appropriate. Once the hearings are complete the analysts will then recommend adjustments to the Military Departments' Budget Estimates in the form of Program Budget Decisions (PBDs).

2. Program Budget Decisions (PBDs)

The decision making process within OSD focuses on the preparation, processing and promulgation of Program Budget Decisions (PBDs). These decision documents provide the Secretary of Defense an analysis of the funding requirements as requested by the Military Departments and Defense Agencies. The PBDs also provide one or more alternative recommendations. PBDs are adjustments recommended by OSD/OMB

analysts that normally highlight problems with program milestones or funding, thus providing the SECDEF an opportunity to make appropriate adjustments to the budget submissions. [Ref. 3:p. I-42] PBDs are considered drafts until the Services have the opportunity to review and reclama. [Ref. 17:p. 14]

3. Reclamas

Just as procedures exist to allow BSOs and other DoN organizations the opportunity to respond to the adjustments made by the FMB marks, procedures also exist to allow the Military Departments and Agencies the opportunity to respond to adjustments made by PBDs. These procedures are also known as reclamas. Reclama procedures are designed to prevent arbitrary or incorrect adjustments during the OSD/OMB review. [Ref. 17:p. 14] The reclamas are intended to be written to address the specific issue brought forward by the issued PBD. They are to concentrate on factual disagreements, errors or omissions of fact. [Ref. 3:p. I-43]

FMB conducts an internal reclama review prior to submitting the actual reclama to OSD/OMB. The lead analyst from FMB presents the reclama to the director FMB at the reclama review. Representatives from the Secretariat and Service Headquarters (Navy and Marine Corps) attend as appropriate. Once the DoN reclama review is complete, the reclama is submitted to OSD/OMB for consideration [Ref. 3:p. I-45]

OSD/OMB will review reclamas and make changes to the draft PBDs as necessary. The draft PBDs are then forwarded for signature, usually to the Deputy Secretary of Defense. If the DoN or any other service takes exception to any signed PBDs, they will be discussed at a Major Budget Issue meeting. [Ref. 3:p. I-45]

4. Major Budget Issues

The Secretary of the Navy will meet with the Secretary of Defense to discuss PBDs with which the DoN still takes exception. The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) usually attend this meeting. The purpose of this meeting is to attempt to resolve the issues; however, all issues are not always resolved during the meeting. Some issues require additional staff work and some are postponed until after the Secretary of Defense meets with the President. [Ref. 3:p. I-45]

5. SECDEF Meeting with the President

The Secretary of Defense and the Director of OMB meet with the President to resolve any issues between OMB and OSD. After this meeting, OSD will issue PBDs that include the President's decisions in the Defense budget. The final product of this process is the President's Budget submission to the Congress.

F. CONGRESSIONAL REVIEW

The review of the President's budget by Congress is the process by which the legislators make decisions concerning the allocation of resources. [Ref. 17:p. 14] During this process Congress may increase funding or decrease funding for many programs. The end results of the Congressional Review are the Defense Authorizations Bill and the Defense Appropriations Bills. The Defense Appropriation Bill provides the legislative authority to establish or maintain programs and to appropriate funds for defense activities. The Defense Appropriations Bills actually provide the budget authority to fund the

defense programs. The appropriation bills, once approved by the House and Senate and signed by the President, give the DoD the authority to execute the budget. Congress provides direction and control for execution of the appropriations through the language of the appropriations bills.

Once approved, the appropriations are apportioned to the DoN by the Office of Management and Budget and then allocated to the administering offices. These administering offices are the same BSOs that originally submitted the budget estimates to FMB earlier in the process. These offices have the primary responsibility of executing the funding within the prescribed laws and regulations. [Ref. 3:p. I-4]

G. SUMMARY

This chapter reviewed the process used to develop the Marine Corps Budget Submission. The budget estimates are formulated and submitted by appropriation through each phase of the process. The BSOs are responsible for submitting the budget estimates and supporting justification for each phase of the process. The controls that are used to develop these submissions are continuously updated based on decisions made throughout the process. The Marine Corps, the Department of the Navy, the Office of the Secretary of Defense, the Office of Management and Budget, the President, and the Congress all play roles in the process of creating a budget for the Department of Defense and the Marine Corps. Figure 4-4 summarizes the budget process.

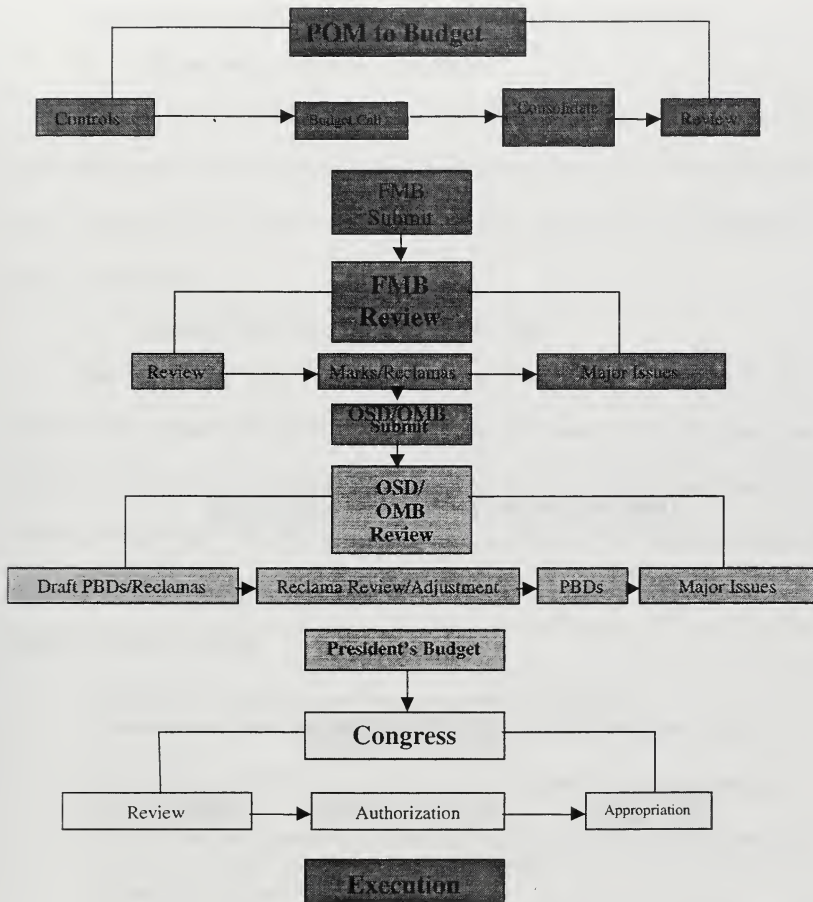


Figure 4- 4 The Budget Process

THIS PAGE INTENTIONALLY LEFT BLANK

V. ANALYSIS OF THE MARINE CORPS BUDGETING PROCESS

A. LEGAL REQUIREMENTS OF THE BUDGETING PROCESS

1. United States Constitution, Article I

Section 9, clause 7 of the United States Constitution is where the Congress draws its legal authority to enact the budget of the United States Government. This clause states that no money can be drawn from the Treasury, except in consequence of appropriations made by law. [Ref. 16]

2. United States Code, Title 31, Section 1105

Title 31, Section 1105 of the United States Code requires the President of the United States to submit a budget of the United States Government for the following fiscal year on or about the first Monday in January, but not later than the first Monday in February of each year. The President is required to include a vast amount of specific information for each budget. A sample of the information required to be included in the President's Budget includes:

- Information on activities and functions of the Government
- Information on costs and achievements of Government Programs, when practicable
- Reconciliation of the summary information on expenditures with proposed appropriations
- Estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the next fiscal year and the four following fiscal years
- Estimated receipts of the Government in the fiscal year for which the budget is submitted
- Appropriations, expenditures, and receipts of the Government in the prior fiscal year
- Essential information about the debt of the Government

- An allowance for unanticipated, uncontrollable expenditures for the fiscal year for which the budget is submitted

This is just a sample of the information the President is required to submit to Congress each year with his Budget. [Ref. 15] Congress reviews this budget proposal, makes any changes it deems necessary, and then passes authorization and appropriation bills. These bills provide the legislative authority to maintain government programs and the budget authority to fund these programs.

3. United States Code, Title 10, Section 221

As discussed in Chapter III of this thesis, Title 10, Section 221 of the United States Code requires the Secretary of Defense to submit to Congress a Future-Years Defense Program (FYDP) about the same time the President submits his budget. This program must reflect the estimated expenditures and proposed appropriations included in the President's Budget. The FYDP is required to cover the fiscal year with respect to which the budget is submitted and at least the four succeeding fiscal years. The submission by the Secretary of Defense is required to be consistent with the President's Budget. [Ref. 13]

4. United States Code, Title 10, Section 222

Title 10, Section 222 of the United States Code stipulates that the Secretary of Defense will submit to Congress for each fiscal year a Future-Years Mission Budget for the military programs of the Department of Defense. This budget is required to be submitted no later than sixty days after the date that the President submits his budget for that fiscal year. The Future-Years Mission Budget is organized on the basis of major

roles, missions, or forces of the DoD. This budget is to be consistent with the Future-Years Defense Program (FYDP) required under Section 221, of Title 10. [Ref. 14]

B. DUPLICATION OF BUDGET PROCESS ELEMENTS

The budget guidance appears to be free of duplication. Each document of guidance provides different information. The DoN Budget Guidance Manual provides an overview of the entire budget process, and then specific guidance to the Budget Submitting Offices (BSOs) concerning the submission of budget estimates for the DoN Budget Review and the OSD/OMB Budget Review. The manual usually references other guidance when possible, vice duplicating the information. The DoN Budget Guidance Memoranda provide supplementary guidance to the BSOs during the process. The information in these memoranda is either new information or information to clarify or amplify other guidance. Volume 2 of the Department of Defense Financial Management Regulation provides general guidance on the formulation and submission of the budget estimates to the Office of the Secretary of Defense. OSD also publishes budget policy memoranda to provide any changes or revisions necessary for the current submission. The Office of Management and Budget publishes OMB Circular A-11 annually to provide guidance for the submission of the President's Budget.

When the phases of the budget process were analyzed in isolation, they appeared to be free of duplication. However, analysis of the phases collectively revealed significant repetition. Specifically, the elements of the Office of Budget (FMB) review, the Office of the Secretary of Defense (OSD) and the Office of Management and Budget

(OMB) review are almost identical. Each begins with a review of the budget estimates by analysts. Then, the analysts recommend adjustments to the budget estimates. These are called marks during the FMB review, and Program Budget Decisions (PBDs) during the OSD/OMB review. The Budget Submitting Offices are allowed the opportunity to respond to the adjustments made by the marks or PBDs using a procedure known as reclama. In each review the BSOs have an opportunity to discuss the marks or PBDs. Later, they take exception once the review is over during a Major Budget Issues Meeting. The FMB and the OSD reviews use the same criteria for review, but with different analysts.

C. THE VALUE ADDED BY EACH BUDGET ELEMENT

1. Budget Guidance

a) Department of the Navy Budget Guidance Manual

The DoN Budget Guidance Manual provides the information for budget formulation and presentation of the DoN Budget. This manual provides the specific information the BSOs require to formulate and submit their budget estimates. The manual also contains an overview of the PPBS process so those involved in the process can better understand how it works to better perform their functions.

b) Department of the Navy Budget Guidance Memoranda

These memoranda provide supplementary guidance to the BSOs to aid them in formulation and submission of budget estimates for both the FMB and the OSD/OMB review.

c) Department of Defense Financial Management Regulation

Volume 2 of the DoD Financial Management Regulation provides guidance on the formulation and submission of the budget estimates to the Office of the Secretary of Defense to aid the military Departments and Agencies. The budget policy memoranda published as necessary by OSD provide the Departments and Agencies any changes or revisions that are necessary to any particular submission.

d) Office of Management and Budget Circular A-11

This document distributes guidance for the development of the President's Budget to the agencies of the federal government. It serves as a guide for agencies to develop the specific requirements required for each year's submission.

2. POM-to-Budget Transition

The POM-to-Budget Transition results in the translation of the Marine Corps Program (POM) into the budget estimate submission to the Office of Budget (FMB). Rough gross dollar estimates developed during the POM are transformed into precise pricing for the budget during this process.

a) Controls

Financial controls are used to set the level of funding that is available for budgeting by each appropriation, and subcategories of appropriations. The controls are required to allow the BSO analysts to formulate detailed budget estimates for the submission to FMB and OSD/OMB. Controls represent Total Obligation Authority (TOA) and are the means used to allocate the resources to be budgeted.

b) Budget Call

The budget call allows the analysts in Program and Resources to collect specific budget data and justification information from the program sponsors. This call provides the analysts the specific information they need to construct the budget estimate submissions.

c) Budget Review

This review ensures the individual budget estimate submissions are in compliance with the budget guidance and are consistent with the same economic principles that underlie the total Marine Corps budget.

3. Office of Budget (FMB) Review

This review provides the Secretary of the Navy the opportunity to revise the budget estimates prior to submitting them to the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB).

a) Review

The initial review conducted by the FMB analysts allow for a detailed review of programs and also allow the analysts to obtain additional information they feel necessary from the BSOs. This review also provides the FMB analysts an opportunity to inform the BSOs of areas of concern or potential budget marks.

b) Marks and Reclamas

The budget mark is the mechanism FMB uses to recommend and provide the rationale for changes to the BSOs submissions. The reclama procedure provides the

BSOs the opportunity to respond to the budget marks prepared by the FMB analysts. This procedure is designed to shield against arbitrary or incorrect adjustments.

c) Major Issues Meeting

The Major Issues Meeting is a forum that allows the BSOs to discuss major budget issues with the DoN Budget Officer. This meeting provides the BSOs an opportunity to discuss marks and reclamas that could not to be resolved during the process.

4. OSD/OMB Review

This review provides the Secretary of Defense and the President the opportunity to make their final resource allocations before the President submits his budget to the Congress.

a) Review

The initial review conducted by the analysts from OSD allows the analysts the opportunity to review the submissions to ensure they adhere to the budget guidance. This review also allows them to obtain additional information and discuss the details of programs with the Military Departments before recommending any changes to the budget submissions.

b) Program Budget Decisions (PBDs)

Program Budget Decisions provide the Secretary of Defense an analysis of the funding requirements as requested by the Military Departments and Agencies. The PBDs also provide alternative recommendations, in the form of adjustments, to the

Secretary. The primary purpose of these documents is to provide the Secretary an opportunity to make appropriate adjustments to the budget submissions prior to submitting the budget to the President.

c) Reclamas

The reclama procedure allows the Military Departments and Agencies the opportunity to respond to the adjustments made by OSD analysts. These procedures exist to prevent arbitrary or incorrect adjustments.

d) Major Budget Issues

The Secretary of the Navy, accompanied by the Chief of Naval Operations and the Commandant of the Marine Corps, is given the opportunity to meet with the Secretary of Defense to discuss PBDs to which the DoN still takes exception after the PBD/Reclama process. The purpose of this meeting is to attempt to resolve these issues.

e) SECDEF Meeting with the President

The Secretary of Defense and the Director of the Office of Management and Budget meet with the President to resolve any issues between OSD and OMB concerning the Defense Budget. The final result of this meeting is the President's Defense Budget, to be included in the President's Budget Submission to the Congress.

5. Congressional Review

The primary value added by the Congressional Review is the legal authority to execute the budget. However, the value added by the changes the Congress makes to the Department of Defense Budget are often questionable. On many occasions, the Congress

decides to fund programs the DoD not only did not request but also does not want. This leads to an inefficient use of funding. Many times Congress decides to fund programs earlier or later than requested by DoD, causing the Departments and Agencies to completely changes their budget plans throughout the Future-Years Defense Program (FYDP). This can affect every phase of the PPBS.

Congress does have the constitutional authority to appropriate funds. However, over time the congressional budget process has taken on functions that do much more than allocate funding to federal programs. Congress uses the budget to establish and pursue national objectives, promote favorable economic conditions, and to respond to the demands of the citizens. One result of the increased functions of the budget process is that the Congress rarely completes its process on schedule. Most fiscal years begin with few, often none of the appropriations bills signed into law. Many times Congress must package all of the regular appropriations, along with other legislation, into an omnibus bill. This bill is often assembled under chaotic conditions, and often few members of the Congress know what is actually hidden in the bill. [Ref. 11:pp. 1-2] This is obviously an inefficient process to allocate the funding for the federal government. It should be noted that the United States Government is designed to be inefficient, and purposely does not place trust in just one person or agency. However, a detailed review and analysis of the congressional budget process is beyond the scope of this thesis. This would be a possible area for future research.

D. TIMING OF THE BUDGETING ELEMENTS

The budgeting process begins when the Marine Corps submits its Program Objective Memorandum to the Department of the Navy at the end of May. The process continues through the FMB, OSD/OMB, and Congressional reviews. The final phase of budget formulation is complete when the Congress passes the Defense Appropriations Bills, usually near the end of September or in early October. This begins the last phase of the budget process, budget execution. Table 5-1 provides a timetable of the budgeting process.

| | |
|--|--------------------|
| Issue Controls for FMB Submission | May |
| Marine Corps Budget Call | June |
| Marine Corps Budget Review | June |
| FMB Budget Submission | June |
| FMB Review | July-August |
| Program Decision Memorandum (PDM) (Programming) | August/September |
| Issue Controls for OSD/OMB Submission | August |
| OSD/OMB Budget Submission | September |
| OSD/OMB Budget Review | September-January |
| Issue Controls for President's Budget | January |
| President's Budget Submission to Congress | February |
| Congressional Review | February-September |
| Budget Execution Begins | October |

Table 5- 1 Timetable of the Budget Process

The analysis of the timing of the elements of the budget process revealed three areas of concern. One, the Program Decision Memoranda (PDM) that conclude the programming phase are issued in the middle of the budget process. Two, the budget estimates submitted by the BSOs for the President's Budget are not executed for almost

one year. And, three, the amount of time allotted to the Congressional Budget Review Process appears to be disproportionate to the amount of time allotted to the DoD Budget Process.

The Program Decision Memoranda are published in August and September. This comes at the end of the FMB review and during the OSD/OMB review. The controls used to develop budget estimates are determined by the POM. Therefore, the controls the BSOs have used to develop the FMB and OSD/OMB budgets are changed, through the PDM, late in the budget formulation process. This forces changes to be incorporated into the budget process that could have been avoided by beginning the budget process after the PDM have been published. Without changing the law that requires the President to submit his budget by the first Monday in February, there are two options to alleviate this concern. One, the PDM would have to be issued earlier. This would involve changes to the programming phase of the PPBS, and possibly changes to the planning phase as well. The other option would be to begin the budget process after the PDM are issued, thereby shortening the amount of time allotted to complete the budget process. Table 5-2 reflects two possible alternative budget process timetables.

| Element | Current Process | Alternative #1 | Alternative #2 |
|---------------------------------------|------------------------|-----------------------|-----------------------|
| Issue Controls for FMB Submission | May | August | August |
| Marine Corps Budget Call | June | September | August |
| Marine Corps Budget Review | June | September | September |
| FMB Submission | June | September | September |
| FMB Review | July-August | October-November | September-October |
| Program Decision Memoranda (PDM) | August/September | August/September | August/September |
| Issue Controls for OSD/OMB Submit | September | November | October |
| OSD/OMB Budget Submission | September | December | November |
| OSD/OMB Review | September-January | December-January | November-January |
| Issue Controls for President's Budget | January | January | January |
| President's Budget Submit to Congress | February | February | February |
| Congressional Review | February-September | February-September | February-September |
| Budget Execution Begins | October | October | October |

Table 5- 2 Alternative Budget Process Timetable

Both of the alternatives presented begin the budget process after the PDM have been published. This allows the initial controls issued to the BSOs to incorporate the decisions by the Secretary of Defense from the PDM. This eliminates the concern of incorporating changes from the PDM into the budget estimates in the middle of the process. However, both of these alternatives shorten the budget process of the DoD by two months. The compressed schedule would mean that the budget for the DoD would have to be developed in less than six months, vice the eight months allotted for the current process.

The first alternative reveals a timetable that adapts to the compressed schedule by allotting less time to the OSD/OMB budget review process. This review is allotted approximately two months, vice the four months in the current process. This is probably not an adequate amount of time for OSD/OMB to do a thorough review of the budget estimates of all the Military Departments and Agencies of the Department of Defense.

The second alternative reveals a timetable that accomplishes the formulation of the budget in the compressed schedule by shortening the amount of time allotted to the BSOs for development of the budget estimates and to the FMB Review. Again, the shortened schedule does not allow adequate time to properly prepare and justify defensible budget estimates. The current budget process already operates under stringent time constraints. It is the opinion of the author that beginning the budget process after the PDM are published would not be beneficial to the Marine Corps, the Department of the Navy, or the Department of Defense.

Currently, budget estimates are developed in June, but the budget is not executed until October of the next year. The budget process makes it very difficult for BSOs to incorporate emerging priorities into the budget. Therefore, the BSOs are forced to execute a budget that was developed over a year ago and is based on programs that were developed even earlier. This can lead to the Congress appropriating funds for requirements that no longer exist, or not funding requirements that have emerged during the year that has elapsed.

The final area of concern revealed by the analysis was that the amount of time allotted to the congressional review appears to be disproportionate to the amount of time

allotted to the Department of Defense for budget formulation. The Marine Corps process begins in June with the POM-to-Budget transition, and it ends in February with the submission of the President's Budget to the Congress. Congress receives the President's Budget in February and its process is supposed to be completed by the end of September. However, almost every year the Congress is late in passing the appropriations bills. It frequently does not pass the bills until late October or even November. It appears that the Congress spends entirely too much time reviewing, changing, and finally passing the budget.

E. SUMMARY

The budget process of the Department of Defense is driven by the requirement of the President to submit his budget to the Congress by the first Monday in February. And, it does appear that the ability to make any significant changes to the current process is severely restricted by this requirement. There is some duplication built into the DoD budget process. However, this appears to be by design. The budget estimates are required to pass through several reviews before being included in the President's Budget. This allows each level of leadership an opportunity to strengthen, and change the budget, as it deems necessary. The final result is a DoD budget that is executable and defensible to the Congress.

Each element and phase of the budgeting process does add some value. There does appear to be some question as to the amount of value added by the Congress, especially in relation to the amount of time spent on the congressional review phase of the

budget process. Some of the decisions made by the Congress lead to the inefficient allocation and use of funds. However, the Constitution of the United States does give the Congress this authority.

The Program Decision Memoranda are published in the middle of the budget process. Without changing the law, two options exist. One, the PDM could be published earlier. This would involve changes to the Programming Phase of the PPBS, and possibly the Planning Phase as well. More research would have to be done to see if the benefits would outweigh the costs of making the necessary changes. The other option available is to start the budgeting process after the PDM are published. Two alternate timetables were considered (Tables 5-2 and 5-3) as possible solutions to this problem. Without changing the due date of the President's Budget to Congress, both of these options significantly shorten the DoD Budget Process. This is a process that already operates under serious time constraints. It is the opinion of the author that it would not be beneficial to begin the process after the PDM are issued. It is felt that it is easier to incorporate the changes made by the PDM into the budget in the middle of the process than it would be to complete the budget under stricter time constraints.

Concerns about the value added and the amount of time required for the congressional review phase of the budget process were revealed during the analysis. Analysis of the congressional budget process is beyond the scope of this thesis. This would be a possible area for future research.

THIS PAGE INTENTIONALLY LEFT BLANK

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The purpose of this thesis was to determine if the programming and budgeting processes of the United States Marine Corps could be more efficient. This was accomplished by first reviewing each process in detail and determining the legal requirements of each. Then, each process was analyzed for duplication, value added, and finally timing of the elements of the process.

The analysis of the programming process revealed no substantial duplication. However, three areas to be considered for improvement were discovered. The Assistant Commandant of the Marine Corps (ACMC) Committee was identified as an element in the programming process that could be combined with another element. The committee's membership is comprised of the Program Review Group (PRG), adding the Assistant Commandant as the chair. The ACMC Committee brief could be combined with the PRG brief to the Commandant. This would save time and effort, and would still allow both the Commandant and the Assistant Commandant the opportunity to provide their insights and input into the process.

The second element identified for improvement was the Commandant's Initial Planning Guidance. This guidance provides the intent of the Commandant for the programming process. The research revealed that this guidance is not published every year. The opinion of this author is that the Commandant's Initial Guidance should be published each year. Providing the intent of the senior leader of the Corps at the

beginning of the process could help to reduce the number of changes to the Marine Corps Program late in the process.

The third area to be considered for improvement involved the timing of the issuance of the Defense Planning Guidance and the Department of the Navy Programming Guidance. It was discovered that both of these documents are published at the end of the Marine Corps Programming Process. The result is that the Marine Corps must ensure that their program is in compliance with the guidance at the end of process, vice being able to incorporate the guidance into the process from the beginning. This could be an indication that the Marine Corps begins its programming process too early. This would be a possible area for future research.

The analysis of the budgeting process revealed that the budget process of the Department of Defense is driven by the requirement for the President to submit his budget to the Congress by the first Monday in February. It appears that the ability to make any significant changes to the current Department of Defense budget process is severely restricted by this requirement. Some duplication was uncovered in the budgeting process. However, it appeared that this duplication was built into the process by design. The budget estimates are required to pass through several reviews before being included in the President's Budget. The final result of these reviews is a DoD budget that is both executable and defensible to the Congress.

Each element of the budget process does add some value. However, concerns were revealed about the value added by the congressional review process in comparison to the amount of time required for completion. Although the Constitution of the United

States does give Congress this authority, over time the budget process has taken on functions that do much more than allocate funding to federal programs. A detailed review and analysis of the congressional review process was beyond the scope of this thesis, but this would be a possible area for future research.

The analysis of the timing of the elements of the budget process revealed that the Program Decision Memoranda are published in the middle of the process. The controls that are used to develop the budget estimates from the beginning of the process are determined by the POM. Therefore, the controls the BSOs used to develop their budget estimates are changed, by the PDM, in the middle of the process. However, without changing the law that requires the President to submit his budget to the Congress the first Monday in February, only two options exist. One, the PDM could be issued earlier. This would involve changes to the programming phase and possibly the planning phase as well. More research would have to be done to determine if this option would benefit the efficiency of the PPBS.

The other option is to shorten the time allotted to the budget process and begin the process after the PDM are issued. Due to the fact that the current budget process already operates under tight time constraints, it is the opinion of the author that it would not be beneficial to begin the budget process after the PDM are issued.

The Planning, Programming, and Budgeting System is a complex system comprised of overlapping phases. Changing any process within one phase of the PPBS can have drastic effects on other phases of the PPBS as well. This has to be considered and studied when changes to any process within the system are considered. The system is

also governed to some degree by legal requirements, especially the budgeting phase. These requirements often inhibit the efficiency of the processes within the PPBS. This research revealed the difficulty faced when attempting to changes processes within the PPBS. While there are some changes that can be made to make the processes more efficient, the current system is relatively efficient. This is especially true considering the complex, dynamic environment the system operates within.

B. RECOMMENDATIONS

The Marine Corps Programming Process could possibly be more efficient by incorporating two changes to the current process. First, the Commandant's Initial Programming Guidance should be issued each year. This would provide the intent of the senior leader of the Marine Corps at the beginning of the process and would likely reduce the number of changes to the program late in the process.

The second change that should be considered is the combination of the APMC Committee brief and the CMC brief. Combining these briefs would reduce time and effort, but would still allow both the Commandant and the Assistant Commandant the opportunity to provide their input to the process.

The fact that the Defense Planning Guidance and the Department of the Navy Programming Guidance are issued late in the Marine Corps Process is also of concern. This could be an indication that the Marine Corps Process begins too early. This is a concern that should be studied in more depth.

The requirement for the President to submit his budget to Congress by the first Monday of February drives the budgeting process. This requirement severely inhibits the ability to change the current process. The congressional review process seems to be a significant source of inefficiency within the budget process. While much of this inefficiency was intentionally designed into the system, this process should be studied for possible changes.

C. AREAS FOR FUTURE RESEARCH

Future research should focus on the congressional budget process. The inefficiencies of the budget process have their roots in the congressional review. While the Congress does have the constitutional authority to appropriate funds, it has expanded the functions of its budget process over time. This has resulted in the lengthening of the congressional budget process, a change that has not resulted in appropriations bills being passed on time. The congressional budget process presents a wide opportunity for research into efficiency and process improvement. Some specific areas for research within the congressional budget process include the amount of funding appropriated to the DoD each year for programs the DoD does not want or need, the amount of time Congress dedicates to budget matters each year and the effect on its other responsibilities, and the expanded functions of the congressional budget process.

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF REFERENCES

1. Department of Defense, Instruction 7000.14, *Financial Management Regulation*, Volume 2, "Budget Formulation and Presentation", Washington, D. C., 1998.
2. Department of Defense, Instruction 7045.7, *Implementation of the Planning, Programming, and Budgeting System (PPBS)*, Washington, D. C., April 1987.
3. Department of the Navy, Office of the Navy Comptroller, "Budget Guidance Manual", *NAVCOMPTINST 7102.2B*, Washington, D. C., April 1999.
4. Headquarters, United States Marine Corps, Deputy Chief of Staff for Programs and Resources, *Memorandum for the Program Review Group*, "Assignment to the POM Working Group (PWG) and Program Evaluation Groups (PEGs)", Washington, D. C., September 1997.
5. Headquarters, United States Marine Corps, Deputy Chief of Staff for Programs and Resources, *Memorandum for the Program Review Group*, "Initial Program Guidance", Washington, D. C., February 1999.
6. Headquarters, United States Marine Corps, Deputy Chief of Staff for Programs and Resources, *Memorandum for the Program Review Group*, "Program Evaluation Group Letter of Instruction", Washington, D. C., October 1999.
7. Headquarters, United States Marine Corps, Deputy Chief of Staff for Programs and Resources, *Memorandum for the Program Review Group*, "Program Review Group (PRG) Intent and Membership", Washington, D. C., September 1997.
8. Interview with Captain Paul Cucinotta, Programs and Resources Division, Headquarters, United States Marine Corps, October 1999.
9. Office of Management and Budget, *Circular A-11*, "Preparing and Submitting Budget Estimates", Washington, D. C., 1999.
10. Secretary of the Navy, Instruction 5420.191, *Department of the Navy Program Strategy Board*, Washington, D. C., April 1995.
11. Schick, Allen, *The Capacity to Budget*, The Urban Institute Press, Washington, D.C., 1980.

12. The United States Naval War College, National Security Decision Making Department, *An Executive Level Text in Resource Allocation*, Volume I, "The Formal Process", 3rd edition, March 1999.
13. United States Code, Title 10, *Armed Forces*, Section 221, "Future-Years Defense Program: submission to Congress; consistency in budgeting", Washington, D.C., January 1999.
14. United States Code, Title 10, *Armed Forces*, Section 222, "Future-Years Mission Budget", Washington, D. C., January 1998.
15. United States Code, Title 31, Section 1105, "The Budget and Fiscal, Budget, and Program Information", Washington, D. C., January 1997.
16. United States Constitution, Article I, 1787.
17. *United States Marine Corps Master Plan for the 21st Century*, Washington, D. C., 1997.
18. United States Marine Corps, Order P32121.2, *Marine Corps Planning and Programming Manual*, Washington, D. C., October 1981.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center.....2
8725 John J. Kingman Rd., Ste 0944
Ft. Belvoir, VA 22060-6218
2. Dudley Knox Library.....2
Naval Post Graduate School
411 Dyer Rd.
Monterey, CA 93943-5101
3. Director, Training and Education.....1
MCCDC, Code C46
1019 Elliot Rd.
Quantico, Virginia 22134-5027
4. Director, Marine Corps Research Center.....1
MCCDC, Code C40RC
2040 Broadway Street
Quantico, Virginia 22134-5107
5. Director, Studies and Analysis Division.....1
MCCDC, Code C45
300 Russell Road
Quantico, Virginia 22134-5130
6. Marine Corps Representative.....1
Naval Postgraduate School
Code 037, Bldg. 330, Ingersoll Hall, Rm. 116
555 Dyer Road
Monterey, CA 93940
7. Marine Corps Tactical Systems Support Activity.....1
Technical Advisory Branch
Attn: Major J. C. Cummiskey
Box 555171
Camp Pendleton, CA 92055-5080
8. Commander Ted Hleba, Code SM/FM.....1
Naval Postgraduate School
Monterey, CA 93943-5000

9. Professor James M. Fremgen, Code SM/FM.....1
Naval Postgraduate School
Monterey, CA 93943-5000
10. Commandant of the Marine Corps, Code RFP.....1
Attention: Captain Jeff Odell
2 Navy Anne
Washington, D. C. 20380-1775
11. Captain Carl W. Miller, III.....1
2316 Harpoon Drive
Stafford, VA 22554

75 290NPG 3249
TH
6/02 22527-50 H.E. 1

DUDLEY KNOX LIBRARY



3 2768 00402760 7